



Maryland Health Insurance Exchange Board

RISK MITIGATION IMPLEMENTATION UPDATE

Presentation by
Maryland Insurance Administration
March 13, 2012



Risk Mitigation Overview

ACA mandates three programs to mitigate potential adverse selection and stabilize markets:

Risk Adjustment (permanent, State-run program)

Plans with lower relative risk profiles will make payments; plans with higher relative risk profiles will receive payments.

Reinsurance (temporary, non-profit entity administered program)

All health insurance issuers and TPAs on behalf of self-insured group health plans will make contributions to an entity that will reinsure large claims in individual market.

Risk Corridors (temporary, federally-run program)

QHPs with claims costs exceeding target by more than 3% receive payment from federal government; QHPs with claims costs below target by more than 3% make payment to federal government.



Work Completed

Under RWJF State Health Reform Assistance Network grant, Wakely Consulting has worked with MIA in initiating stakeholder process:

- January 30, 2012: Stakeholder Kickoff Meeting
- February/March 2012: MIA/Wakely meetings with individual carriers
- Q1 2012: Wakely meetings with State agencies to determine existing capacity related to reinsurance and risk adjustment
 - MIA
 - MHCC
 - MHIP
 - HSCRC
 - Maryland Medicaid



Carrier Meetings

Meetings were structured around three topic areas:

Process Structure

- ☐ Stakeholder process initiated to implement risk mitigation programs
- ☐ Data needed by carriers and related timelines for rate and forms submissions
- ☐ State vs. federal risk adjustment model and related issues

Priorities and Concerns

- ☐ Anticipated implementation challenges
- ☐ Measures of success

Technical Considerations

- ☐ Program structure and carrier-specific technical issues

Process Structure

Federal Model	State Model
<p><u>Pro's</u></p> <ul style="list-style-type: none">■ Uniformity for multi-state carriers.■ Potential similarities to familiar Medicare Advantage risk adjustment model■ Expected benefit from broad-based feedback once implemented■ Conservation of State resources for simulation and testing	<p><u>Pro</u></p> <ul style="list-style-type: none">■ Federal model might not be best model for Maryland <p><u>Con</u></p> <ul style="list-style-type: none">■ State would need to create and propose alternative to federal model and get approval from HHS, potentially pushing back the implementation timeline.



Process Structure - continued

- Notice and time needed to supply information for possible data calls
- New population of uninsured with no historical data
 - Possible proxy data to include MHIP population data and data from recent Medicaid expansion
- Format and type of data to be submitted



Priorities and Concerns

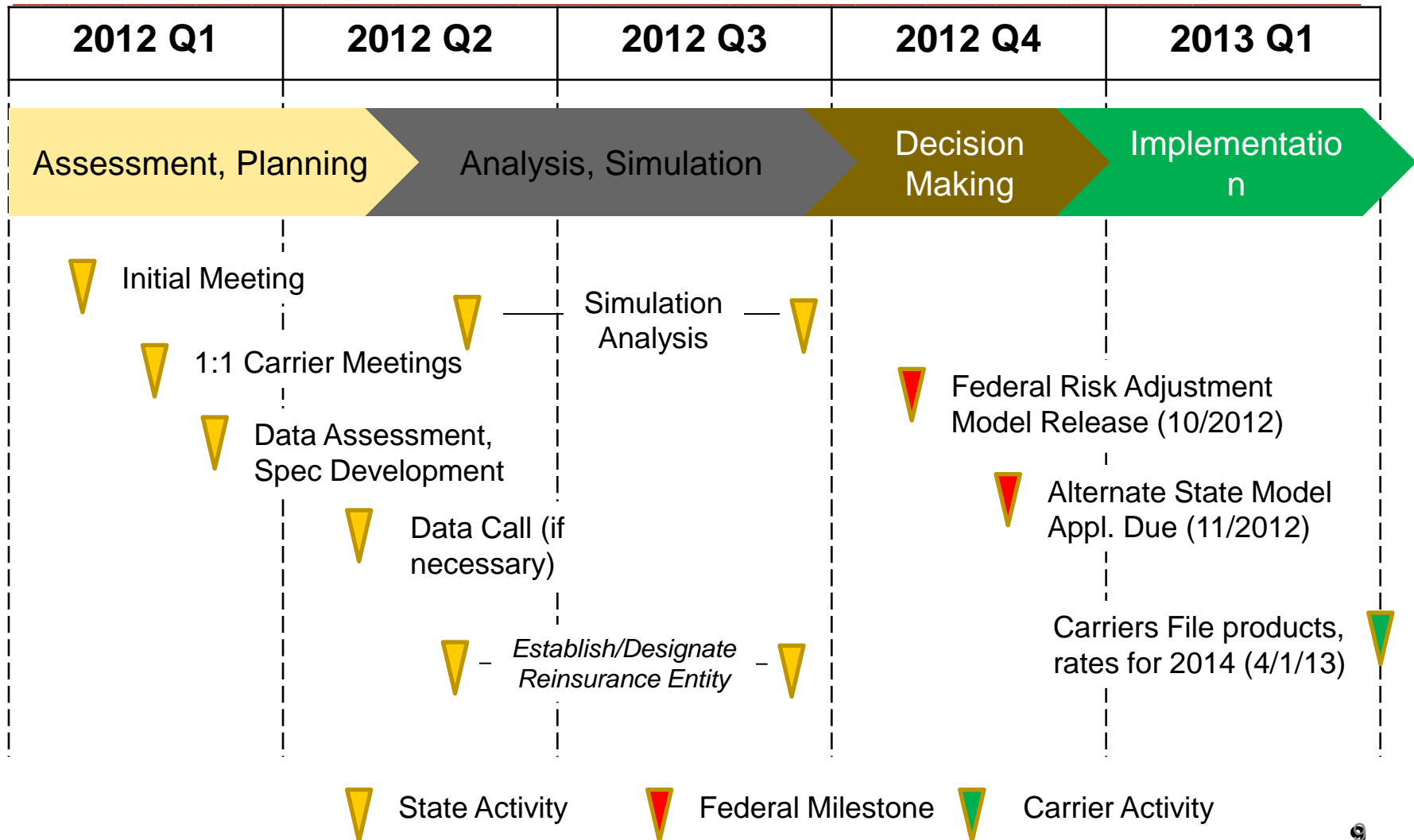
- Assimilation of MHIP high risk pool
- Risk mitigation programs must be defined well in advance of 2014 plan submission
- Risk mitigation programs must be coordinated with each other and with MLR reporting and administration



Technical Considerations

- Collecting and making payments for reinsurance program
- Concurrent vs. prospective methodology
- All carriers are in the process of shifting to ICD-10 which will affect all systems
- Data used for risk score assignment
 - Some carriers expressed concern with a “pharmacy only” model as usage of generic vs. brand name drugs may skew the data
 - Other carriers liked the speed and data quantity provided through a “pharmacy only” model
 - Age based models become problematic in the SHOP Exchange with the current allowance for two types of employer selection of plans.

Timeline Summary





Upcoming Decisions/Work

- Management and oversight structure
 - Responsibility for decision-making over next 6-9 months
 - Long-term program management and administration
- Federal vs. State risk adjustment model
 - If federal model, State vs. federal program administration
- Federal vs. State-specific reinsurance parameters
- Creation or designation of non-profit reinsurance entity
- Data simulation and analysis focus
 - Simulate alternatives to federal model?
 - Prepare market for introduction of federal model?
 - Model likely impact of MHIP enrollees and uninsured?
- Who will collect data and perform analyses?
- Develop capacity to accept and analyze data
- Communicate about data and analysis results
- Provide opportunities for comment and feedback
- Establish efficient method of collecting and distributing payments

Working Groups - Proposed

Topic-focused work streams comprised of representatives from state agencies, carriers, and other interested stakeholders

Data and Audit

- Assess adequacy of existing APCD to perform required analyses
- Develop data specifications and audit procedures
- Issue carrier data call (if necessary)
- Work through specifications and validation issues

Policy & Parameters

- Develop proposed risk adjustment and reinsurance parameters
- Select software tools
- Conduct simulation analyses
- Develop recommendations related to technical program elements

Admin. & Finance

- Develop process for collection, payment, and reconciliation of funds
- Assess reporting requirements
- Determine process for updating and maintaining risk mitigation system
- Develop plan for ongoing carrier communications

Steering Committee comprised of relevant state agency representatives

Review output of work streams and provide recommendations to Exchange Board, may have authority to make some decisions



Proposed Steering Committee Members

- Governor's Office of Health Care Reform
- Maryland Health Insurance Plan
- Maryland Health Benefit Exchange
- Maryland Insurance Administration
- Maryland Medicaid Program
- Health Services Cost Review Commission
- Maryland Health Care Commission